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## LOK SABHA

The following Bills were introduced in Lok Sabha on the 24th August, 1962:—

BILL No. 81 OF 1962

*A Bill further to amend the Reserve Bank of India Act, 1934, and to make certain consequential amendments in the State Bank of India Act, 1955.*

Be it enacted by Parliament in the Thirteenth Year of the Republic of India as follows:—

1. This Act may be called the Reserve Bank of India (Amendment-Short title. ment) Act, 1962.

2 of 1934. 5 2. To sub-section (2) of section 8 of the Reserve Bank of India Act, 1934 (hereinafter referred to as the principal Act), the following proviso shall be added, namely:— Amendment of section 8.

10 “Provided that the Central Board may, if in its opinion it is necessary in the public interest so to do, permit the Governor or a Deputy Governor to undertake, at the request of the Central Government or any State Government, such part-time honorary work, whether related to the purposes of this Act or not, as is not likely to interfere with his duties as Governor or Deputy Governor, as the case may be.”

15 3. In section 17 of the principal Act,—

(a) in sub-clause (a) of clause (2), for the words “maturing within ninety days from the date of such purchase or re-discount, exclusive of days of grace,” the following words shall be substituted, namely:—

20 “maturing,—

Amendment of section 17.

(i) in the case of bills of exchange and promissory notes arising out of any such transaction relating to the export of goods from India, within one hundred and eighty days, and

(ii) in any other case, within ninety days, 5

from the date of such purchase or re-discount, exclusive of days of grace;"

(b) in clause (3), for sub-clause (b), the following sub-clause shall be substituted, namely:—

"(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in any country outside India which is a member of the International Monetary Fund and maturing,—

(i) in the case of bills of exchange arising out of any *bona fide* transaction relating to the export of goods 15 from India, within one hundred and eighty days, and

(ii) in any other case, within ninety days, from the date of such purchase or re-discount:

Provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or a State co-operative bank;"

(c) after clause (3), the following clause shall be inserted, namely:—

"(3A) the making to any scheduled bank or State co-operative bank, of loans and advances, against promissory 25 notes of such bank, repayable on demand or on the expiry of fixed periods not exceeding one hundred and eighty days:

Provided that the borrowing bank furnishes a declaration in writing, to the effect that— 30

(i) it holds bills of exchange arising out of any transaction relating to the export of goods from India, of a value not less than the amount of such loans or advances,—

(a) drawn in India and on any place in any 35 country outside India which is a member of the International Monetary Fund or in any other

country notified in this behalf by the Bank in the Gazette of India, and

(b) maturing not later than one hundred and eighty days from the date of the loan or advance; and

(ii) it will, so long as any part of such loans and advances remains unpaid, continue to hold such bills of exchange of a value not less than the amount of such loans or advances outstanding for the time being;";

(d) to clause (4), the following proviso shall be added, namely:—

"Provided that loans and advances made against the security of bills of exchange and promissory notes arising out of any transaction relating to the export of goods from India shall be repayable on demand or on the expiry of fixed periods not exceeding one hundred and eighty days."

4. In section 42 of the principal Act,—

Amendment  
of section 42.

(a) in sub-section (1),—

(i) for the words "five per cent. of the demand liabilities and two per cent. of the time liabilities", the words "three per cent. of the total of the demand and time liabilities" shall be substituted;

(ii) for the proviso, the following proviso shall be substituted, namely:—

"Provided that the Bank may, by notification in the Gazette of India, increase the said rate to such higher rate as may be specified in the notification so however that the rate shall not be more than fifteen per cent. of the total of the demand and time liabilities.";

(iii) in the *Explanation*, in clause (c), for the words and brackets "Refinance Corporation for Industry (Private) Limited", the words "Refinance Corporation for Industry Limited" shall be substituted;

(b) in sub-section (1A),—

(i) for the words "rates specified in the notification, such additional balance being calculated with reference to the excess of the demand and time liabilities of the bank

as shown in the return referred to in sub-section (2) over its demand and time liabilities", the words "rate specified in the notification, such additional balance being calculated with reference to the excess of the total of the demand and time liabilities of the bank as shown in the return referred to in sub-section (2) over the total of its demand and time liabilities" shall be substituted; 5

(ii) the proviso shall be omitted;

(c) after sub-section (1A), the following sub-section shall be inserted, namely:— 10

"(1AA) Notwithstanding anything contained in sub-section (1) or sub-section (1A), it shall not be necessary for any scheduled bank to maintain with the Bank any balance which shall be more than fifteen per cent. of the total of its demand and time liabilities as shown in the return referred to in sub-section (2)."; 15

(d) in sub-section (1B), the following proviso shall be inserted at the end, namely:—

"Provided further that where the Bank does not, under sub-section (5), demand the payment of the penalty imposed by sub-section (3), it may pay interest at such rate or rates as may be determined by the Bank from time to time on the amount actually maintained with it by the scheduled bank, notwithstanding that such amount is less than the balance required to be maintained in pursuance of a notification issued under the proviso to sub-section (1) or under sub-section (1A)."; 25

(e) for sub-section (5), the following sub-section shall be substituted, namely:—

"(5) (a) The penalties imposed by sub-sections (3) and (4) shall be payable within a period of fourteen days from the date on which a notice issued by the Bank demanding the payment of the same is served on the scheduled bank, and in the event of a failure of the scheduled bank to pay the same within such period, may be levied by the direction of the principal civil court having jurisdiction in the area where an office of the defaulting bank is situated, such direction to be made only upon an application made in this behalf to the court by the Bank; 30

(b) when the court makes a direction under clause (a), it shall issue a certificate specifying the sum payable 40

by the scheduled bank and every such certificate shall be enforceable in the same manner as if it were a decree made by the court in a suit;

5 (c) notwithstanding anything contained in this section, if the Bank is satisfied that the defaulting bank had sufficient cause for its failure to comply with the provisions of sub-section (1), (1A) or (2), it may not demand the payment of the penal interest or the penalty, as the case may be.”.

10 5. In section 43A of the principal Act, after the words and figures “or section 43”, wherever they occur, the words and figures and letter “or in pursuance of the provisions of Chapter IIIA” shall be inserted. Amendment of section 43A.

15 6. In the principal Act, after Chapter III, the following Chapter shall be inserted, namely:— Insertion of new Chapter III A.

#### “CHAPTER IIIA

##### COLLECTION AND FURNISHING OF CREDIT INFORMATION

45A. In this Chapter, unless the context otherwise requires,— Definitions.

10 of 1949. 20 (a) “banking company” means a banking company as defined in section 5 of the Banking Companies Act, 1949, and includes the State Bank of India or any other banking or financial institution notified by the Central Government in this behalf;

25 (b) “borrower” means any person to whom any credit limit has been sanctioned by any banking company, whether availed of or not, and includes—

(i) in the case of a company or corporation, its subsidiaries;

30 (ii) in the case of a Hindu undivided family, any member thereof or any firm in which such member is a partner;

(iii) in the case of a firm, any partner thereof or any other firm in which such partner is a partner; and

35 (iv) in the case of an individual, any firm in which such individual is a partner;

(c) “credit information” means any information relating to—

40 (i) the amounts and the nature of loans or advances and other credit facilities granted by a banking company to any borrower or class of borrowers;

(ii) the nature of security taken from any borrower for credit facilities granted to him; and

(iii) the guarantee furnished by a banking company for any of its customers.

Power of Bank to collect credit information.

45B. (1) The Bank may—

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(a) collect, in such manner as it may think fit, credit information from banking companies; and

(b) furnish such information to any banking company in accordance with the provisions of section 45D.

Power to call for returns containing credit information.

45C. (1) For the purpose of enabling the Bank to discharge its functions under this Chapter, it may at any time direct any banking company to submit to it such statements relating to such credit information and in such form and within such time as may be specified by the Bank from time to time.

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(2) A banking company shall, notwithstanding anything to the contrary contained in any law for the time being in force or in any instrument regulating the constitution thereof or in any agreement executed by it, relating to the secrecy of its dealings with its constituents, be bound to comply with any direction issued under sub-section (1).

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Procedure for furnishing credit information to banking companies.

45D. (1) A banking company may, in connection with any financial arrangement entered into or proposed to be entered into by it, with any person, make an application to the Bank in such form as the Bank may specify requesting it to furnish the applicant with such credit information as may be specified in the application.

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(2) On receipt of an application under sub-section (1), the Bank shall, as soon as may be, furnish the applicant with such credit information relating to the matters specified in the application, as may be in its possession:

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Provided that the information so furnished shall not disclose the names of the banking companies which have submitted such information to the Bank.

(3) The Bank may in respect of each application levy such fees, not exceeding twenty-five rupees, as it may deem fit for furnishing credit information.

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Disclosure of information prohibited.

45E. (1) Any credit information contained in any statement submitted by a banking company under section 45C or furnished by the Bank to any banking company under section 45D, shall be treated as confidential and shall not, except for the purposes of this Chapter, be published or otherwise disclosed.

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(2) Nothing in this section shall apply to—

(a) the disclosure by any banking company, with the previous permission of the Bank, of any information furnished to the Bank under section 45C;

5 (b) the publication by the Bank, if it considers necessary in the public interest so to do, of any information collected by it under section 45C, in such consolidated form as it may think fit without disclosing the name of any banking company or its borrowers.

10 (3) Notwithstanding anything contained in any law for the time being in force, no court, tribunal or other authority shall compel the Bank or any banking company to produce or to give inspection of any statement submitted by that banking company under section 45C or to disclose any credit information  
15 furnished by the Bank to that banking company under section 45D.

45F. No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of any of the provisions of this Chapter. Certain claims for compensation barred.

20 45G. (1) If any banking company—

Penalties.

(a) fails to submit any statement required under section 45C or submits under that section a statement which is false in any material particular; or

25 (b) fails to comply with any condition imposed under this Chapter,

every director or other officer of the company and every other person who is knowingly a party to the breach shall be punishable with fine which may extend to two thousand rupees.

30 (2) If any person discloses any credit information, the disclosure of which is prohibited under section 45E, he shall be punishable with imprisonment which may extend to six months or with fine which may extend to one thousand rupees or with both."

23 of 1955.

7. In the State Bank of India Act, 1955,—

35 (i) in section 33, in clause (xixb), after the words "classes of industries", the words "or in such business or trade or classes of business or trade" shall be inserted;

Amendment of the State Bank of India Act, 1955.

(ii) in section 34, to sub-section (3), the following proviso shall be added, namely:—

“Provided that nothing in sub-clause (ii) of clause (b) shall apply where the State Bank holds by way of a collateral security any negotiable instrument or security which 5 does not mature within six months from the date aforesaid in respect of any loan, advance or cash credit sanctioned under this Act.”.



## STATEMENT OF OBJECTS AND REASONS

The Reserve Bank of India Act does not permit the Bank to make any loans or advances or to grant financial accommodation in any other form to commercial banks for periods in excess of ninety days. It is also not possible for the Bank to make any such loans or to grant any such accommodation on the security of documents bearing only a single signature on behalf of any borrowing institution. As it has been represented that these restrictions render it difficult for banks to extend to exporters credit facilities for the periods for which or the conditions on which such credit may be required by them, it is proposed to amend the relevant provisions of the Act, so as to permit the Reserve Bank to grant loans and advances or other financial accommodation, so far as exports are concerned, on somewhat more liberal terms and for any period up to one hundred and eighty days.

The State Bank of India Act as it now stands does not enable the bank to grant term credits to exporters for periods in excess of six months. The Bill seeks to amend the relevant provisions of the Act so as to enable the bank to grant medium-term credits against exports for periods up to seven years.

It has been represented that in the absence of any regular and systematic arrangement for the collection, pooling and supply of particulars relating to the loans and advances or other credit facilities granted by the various banks and financial institutions to those borrowing any amounts from them, individual banks or other financial institutions are handicapped in obtaining reliable information about the credit-worthiness or financial position of the various persons to whom credit has been or may have to be granted. The Bill seeks to enable the Reserve Bank to collect and supply the relevant information in a consolidated form to the lending institutions.

In view of the changes in recent years in the pattern of deposits of the scheduled banks, it is proposed that the balances which they are required to keep with the Reserve Bank should be prescribed at the uniform rate of three per cent. of the total liabilities, the overall limit for such balances or any additional balances or special

506 G of I Ex.—2.

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deposits as the case may be being fixed consequentially at fifteen per cent. of the total liabilities.]

The scope and object of the various amendments are further explained in the notes on the various clauses of the Bill.

NEW DELHI;  
The 17th August, 1962.

MORARJI DESAI.

*Notes on clauses*

**Clause 2.**—Sub-section (2) of Section 8 of the Reserve Bank of India Act as it now stands requires the Governor and the Deputy Governors of the Reserve Bank to devote their wholetime to the affairs of the bank. It is proposed to add a proviso to this sub-section, so as to permit the Governor or a Deputy Governor to undertake, at the request of the Central Government or of a State Government, any part time honorary work, even though it may not be strictly related to or connected with the affairs of the bank.

**Clause 3** seeks to amend sub-clause (a) of clause (2) and sub-clause (b) of clause (3), of Section 17 of the Reserve Bank of India Act and to add a new clause, namely, clause (3A) and a proviso below the existing clause (4) in that Section so as to provide that:

(a) the period of maturity of eligible bills of exchange (including treasury bills) and promissory notes, whether drawn on or in India or drawn on or in any other country which is a member of the International Monetary Fund, may be increased from ninety days to one hundred and eighty days if the bills of exchange or the promissory notes as the case may be relate to the export of goods from India;

(b) loans to scheduled banks or to state cooperative banks may be granted against the signature of the borrowing institutions themselves, instead of on the basis of two good signatures as now prescribed in the Act if the borrowing institutions furnish declarations to the effect that they are holding and will continue to hold so long as the advances granted to them by the Reserve Bank remain outstanding bills drawn by Indian exporters on foreign countries maturing within one hundred and eighty days; and

(c) normal banking accommodation to the scheduled banks or to the state cooperative banks may be granted for one hundred and eighty instead of ninety days if the accommodation is for the purpose of financing exports.

**Clause 4.**—Section 42 of the Reserve Bank of India Act now provides for the maintenance by scheduled banks with the Reserve Bank of India of balances to the extent of two per cent of their time

liabilities and five per cent of their demand liabilities. In view of the marked increase in time as distinguished from demand liabilities in the last few years, the actual balances required to be maintained with the Reserve Bank are now somewhat less than in the past and will diminish further if the present trend were to continue. The substantive portion of sub-section (1) of Section 42 is, therefore, proposed to be amended so as to require the banks to maintain a uniform percentage of three per cent of the total time and demand liabilities.

The proviso to sub-section (1) of Section 42 permits the Reserve Bank to increase the minimum balances which are required to be maintained with it to eight per cent and twenty per cent in the case of time and demand liabilities respectively. An overall limit in terms of these percentages is also laid down for normal and increased balances under sub-section (1) and special deposits under sub-section (1A) considered together. The ceilings mentioned in the proviso to sub-section (1) and the overall limit are proposed to be altered to fifteen per cent. of the total liabilities.

The Reserve Bank does not pay any interest on the normal minimum balances, but is permitted to pay interest at a rate determined by it on the increased balances or special deposits, if there is no default on the part of any scheduled bank in maintaining such balances or deposits. It is proposed to add a new proviso to sub-section (1B) in Section 42 to empower the Reserve Bank to pay in its discretion interest on any balances or deposits which may be in excess of the normal minimum balance but less than the increased minimum balance or special deposit which is required to be maintained.

A minor amendment to clause (c) of the Explanation below sub-section (1) seeks to delete the word "private" from the title of the Refinance Corporation for Industry which is now a public limited company and sub-section (5) as recast provides for the sums determined by a Court as penalties due from banks to be recovered as decreed amounts.

*Clause 5* provides for the amendment of Section 43A of the Reserve Bank of India Act so as to extend the protection which is now afforded to the Reserve Bank and its officials to anything which is done in good faith, in the exercise of the bank's functions in regard to the collection and supply of credit information.

*Clause 6* seeks to add a new Chapter to the Reserve Bank of India Act defining the duties and obligations of the bank in regard to the pooling consolidation and publication of credit information.

Section 45A defines the expressions used in the Chapter. The words "banking company" as used in this Chapter will include in addition to commercial banks any financial institution which may be notified for this purpose. Every banking company will be required, notwithstanding the provisions of any other law or instrument to supply any information relating to any constituent which may be required by the Reserve Bank and will be entitled on an application accompanied by the payment of a fee not exceeding twenty-five rupees to consolidated information relating to all the loans granted by the banking companies to any person borrowing or intending to borrow from it. Suitable penalties are proposed to be prescribed for any failure on the part of banking companies to comply with any of the provisions of the Chapter, including those prohibiting the further publication by the banking companies of any information supplied to them and the Reserve Bank is also proposed to be indemnified against any action on the ground that the supply of credit information by it to the banking companies has been unauthorised or that the rights of any constituent have been violated.

Clause 7 seeks to amend clause (xixb) of Section 33 of the State Bank of India Act, 1955 so as to enable the State Bank to grant term loans for periods in excess of six months but not in excess of seven years to persons engaged in such business or trade or classes of business or trade as may be approved by the Central Board. The intention is that loans for these periods should be granted, if necessary, to Indian exporters in order to enable them to offer competitive terms to the customers abroad. Sub-section (3) of Section 34 of the same Act so as to enable the State Bank to obtain and hold as collateral security any negotiable instrument relating to or arising out of exports from India and maturing after a period of six months.

## BILL No. 80 OF 1962

*A Bill further to amend the Banking Companies Act, 1949.*

BE it enacted by Parliament in the Thirteenth Year of the Republic of India as follows:—

Short title. 1. This Act may be called the Banking Companies (Amendment) Act, 1962.

Amendment of section 11. 2. In section 11 of the Banking Companies Act, 1949 (hereinafter referred to as the principal Act),—

(i) in sub-section (2), in clause (b), for the words beginning with “the banking company shall” and ending with “required by clause (a)”, the following shall be substituted, namely:—

“the banking company shall deposit and keep deposited with the Reserve Bank, either in cash or in the form of unencumbered approved securities, or partly in cash and partly in the form of such securities—

(i) an amount which shall not be less than the minimum required by clause (a); and

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(ii) as soon as may be after the expiration of each calendar year, an amount calculated at twenty per cent. of its profit for that year in respect of all business transacted through its branches in India, as disclosed in the profit and loss account prepared with reference to that year under section 29:”;

(ii) after sub-section (2), the following sub-section shall be inserted, namely:—

“(2A) Notwithstanding anything contained in sub-section (2), the Central Government may, on the recommendation of the Reserve Bank, and having regard to the adequacy of the amounts already deposited and kept deposited by a banking company under sub-section (2), in relation to its deposit liabilities in India, declare by order in writing that the provisions of sub-clause (ii) of clause (b) of sub-section (2) shall not apply to such banking company for such period as may be specified in the order.”;

(iii) in sub-section (3), in clause (ii), the following proviso shall be inserted at the end, namely:—

“Provided further that in the case of every banking company to which this clause applies and which commences banking business for the first time after the commencement of the Banking Companies (Amendment) Act, 1962, the value of its paid-up capital shall not be less than five lakhs of rupees.”.

3. In section 17 of the principal Act,—

Amendment  
of section  
17.

(i) in sub-section (1), the words “unless the amount in such fund together with the amount in the share premium account is not less than its paid-up capital,” shall be omitted;

(ii) after sub-section (1), the following sub-section shall be inserted, namely:—

“(1A) Notwithstanding anything contained in sub-section (1), the Central Government may, on the recommendation of the Reserve Bank and having regard to the adequacy of the paid-up capital and reserves of a banking company in relation to its deposit liabilities, declare by order in writing that the provisions of sub-section (1) shall not apply to the banking company for such period as may be specified in the order:

Provided that no such order shall be made unless, at the time it is made, the amount in the reserve fund under sub-section (1), together with the amount in the share premium account is not less than the paid-up capital of the banking company.”.

4. In section 18 of the principal Act, for the words “two per cent. of its time liabilities in India and five per cent. of its demand liabilities in India,” the words “three per cent. of the total of its time and demand liabilities in India,” shall be substituted.

Amendment  
of section  
18.

Amendment  
of section  
22.

5. In section 22 of the principal Act, in sub-section (3), in clause (c), after the words "a company incorporated outside India that", the words "the carrying on of banking business by such company in India will be in the public interest and that" shall be inserted.

Amendment  
of section  
24.

6. In section 24 of the principal Act, after sub-section (2), the following sub-section shall be inserted, namely:—

"(2A) (a) Notwithstanding anything contained in sub-section (1) or in sub-section (2), after the expiry of two years from the commencement of the Banking Companies (Amendment) Act, 1962,—

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(i) a scheduled bank, in addition to the average daily balance which it is, or may be, required to maintain under section 42 of the Reserve Bank of India Act, 1934, and

2 of 1934.

(ii) every other banking company, in addition to the cash reserve which it is required to maintain under section 18, shall maintain in India in cash, gold or unencumbered approved securities, valued at a price not exceeding the current market price, an amount which shall not at the close of business on any day be less than 25 per cent. of the total of its demand and time liabilities in India;

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(b) in computing the amount for the purposes of clause (a).—

(i) the deposit required under sub-section (2) of section 11 to be made with the Reserve Bank by a banking company incorporated outside India, and

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(ii) any cash or balances maintained in India by a banking company other than a scheduled bank with itself or in current account with the Reserve Bank or the State Bank of India or with any other bank which may be notified in this behalf by the Central Government, in excess of the aggregate of the cash or balance or both required to be maintained under section 18, and

(iii) any balances maintained by a scheduled bank with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934, and any balances maintained by a scheduled bank with the State Bank of India or with any other bank which may be notified in this behalf by the Central Government,

shall be deemed to be cash maintained in India."

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Amendment  
of section  
35B.

7. In section 35B of the principal Act, in sub-section (2), for the figures and word "268, 269, 310, 311 and 388", the figures, words and



brackets "268 and 269, the proviso to sub-section (3) of section 309, sections 310 and 311, the proviso to section 387, and section 388" shall be substituted.

8. In section 51 of the principal Act,—

Amendment  
of section

5 (i) after the figures "35", the figures and letter "35A" shall<sup>51.</sup>  
be inserted; and

(ii) the figures and letter "37, 44B" shall be omitted.

## STATEMENT OF OBJECTS AND REASONS

The provisions in the Banking Companies Act relating to the minimum paid-up capital and reserves of the commercial banks and the amounts which such banks are required to maintain in the form of cash or bank balances or in the form of liquid assets which can be readily utilised for meeting any current obligations are somewhat out of date. In view of the changes which have taken place since March 1949, when the provisions relating to the minimum paid-up capital were brought into force, and the very great increase in the deposits and working funds of the commercial banking system in recent years, it is considered desirable that the paid-up capital and reserves, the cash and bank balances, and the overall liquid assets of the commercial banks should be increased. The Bill seeks to amend the relevant provisions of the Act in a suitable manner for these purposes and is intended to strengthen the financial position of the commercial banks generally and to increase the protection which is available to the depositors.

The opportunity provided by the amendment of the Act for these purposes has also been utilised to make a few clarificatory changes in some of the other provisions of the Act.

The scope and object of the amendments proposed are explained in detail in the notes on the various clauses of the Bill.

NEW DELHI;

MORARJI DESAI.

*The 17th August, 1962.*

*Notes on clauses*

*Clause 2.*—Section 11 of the Banking Companies Act which deals with the requirements as to the minimum paid-up capital and reserves provides that the exchangeable value of such capital and reserves in the case of a banking company incorporated in India and having only one office shall be at least fifty thousand rupees. In the case of the exchange banks incorporated outside India, a sum of fifteen lakhs or twenty lakhs as the case may be, depending on the location of the office of the bank in India, is required to be deposited with the Reserve Bank in lieu of paid-up capital. Clause 2 seeks to raise the minimum paid-up capital in the case of a banking company incorporated in India which applies for a licence in future to five lakhs of rupees and also provides that banking companies incorporated outside India shall be required to increase the amounts deposited with the Reserve Bank of India, in lieu of paid-up capital and reserves by the transfer of twenty per cent. of the future annual profits of the Indian branches until such time as an exemption, if any, is granted.

*Clause 3.*—Every banking company incorporated in India is required apart from complying with requirements as to the prescribed minimum paid-up capital and reserves, to transfer twenty per cent. of their annual profits to the statutory reserves, shown as such in its balance-sheet until such reserves are equal to paid-up capital. Clause 3 seeks to delete from sub-section (1) of Section 17 of the Act the limiting condition which has the effect of exempting banking companies from making any further transfers towards reserves if the reserves are equal to paid-up capital, and provides that the transfers shall continue to be made instead until such time as an exemption, if any, is granted.

*Clause 4.*—Section 18 of the Banking Companies Act provides that non-scheduled banks shall maintain with themselves or in current account balances with the Reserve Bank or its agencies cash or bank balances to the extent of two per cent. of their time and five per cent. of their demand liabilities. As it is proposed that a uniform percentage of three per cent. of all the liabilities should be prescribed in future in the case of the scheduled banks, clause 4 seeks to amend Section 18 of the Banking Companies Act so as to provide for the same uniform requirement in the case of the non-scheduled banks.

*Clause 5* seeks to amend Section 22 of the Banking Companies Act, which deals with the licensing of banks so as to provide that in the

case of any bank which is incorporated outside India, a licence may be refused or cancelled, if it appears to the Reserve Bank that it will not be in the public interest to allow the bank to operate or to continue to operate in India.

*Clause 6.*—Section 24 of the Banking Companies Act provides for the minimum requirements as to liquidity, that is the percentage of the assets which every bank is required to maintain in the form of cash balances with the Reserve Bank or its agencies, gold and unencumbered approved securities. The minimum amount which is now required to be maintained in the form of such liquid assets is twenty per cent. of the total liabilities in India. The deposits with the Reserve Bank, or cash reserves and bank balances in regard to which separate provision is made in Section 42 of the Reserve Bank of India Act, 1934, or Section 18 of the Banking Companies Act, 1949, as the case may be, are counted as liquid assets.

Clause 6 seeks to amend Section 24 so as to provide that the minimum percentage of the liabilities which is required to be maintained in the form of liquid assets should be twenty-five instead of twenty and that any deposits with the Reserve Bank or cash or bank balances, which may be required to be maintained under Section 42 of the Reserve Bank of India Act or Section 18 of the Banking Companies Act shall not be taken into account for the purposes of Section 24 but shall be deemed to be additional to the requirements of this Section.

As the percentage of liabilities which is required to be maintained in the form of reserves or deposits with the Reserve Bank will vary from three to fifteen in the case of the scheduled banks, while the percentage of liabilities required to be maintained in the form of cash or bank balances will be three in the case of the non-scheduled banks, the overall effect of the provisions of the various Sections, namely, Section 42 of the Reserve Bank of India Act and Sections 18 and 24 of the Banking Companies Act, considered together will be to provide for a minimum liquidity ratio of twenty-eight per cent. in the case of the scheduled banks, with provision for raising this percentage to forty, if necessary, and a liquidity ratio, not subject to variations, of twenty-eight per cent. in the case of the non-scheduled banks.

A time-limit of two years is proposed to be prescribed for enabling the existing banks to comply with the amended requirements of the law.

*Clause 7* seeks to amend Section 35B of the Banking Companies Act, so as to make it clear that notwithstanding the provisions of

the proviso to sub-section (3) of Section 309 and the proviso to Section 387 of the Companies Act, 1956, as recently amended, the approval of the Central Government shall not be necessary for determining the remuneration of the chief executive officers or other directors of banking companies.

Clause 8 provides for a clarificatory amendment of Section 51 of the Banking Companies Act, so as to make the provisions relating to the suspension of business or the sanctioning of a scheme of arrangement with the creditors and shareholders inapplicable in relation to the State Bank of India and its subsidiaries which are governed by other statutory provisions in the relevant Acts. Section 35A of the Banking Companies Act, relating to the issue of directions by the Reserve Bank of India to banking companies generally is, however, proposed to be made applicable to the public sector banks.

## BILL No. 77 OF 1962

*A Bill to provide for the repeal of the Dramatic Performances Act, 1876, in force in the Union territories of Delhi, Himachal Pradesh and Manipur.*

BE it enacted by Parliament in the Thirteenth Year of the Republic of India as follows:—

**Short title.** 1. This Act may be called the Union Territories Dramatic Performances (Repeal) Act, 1962.

Repeal of  
Dramatic  
Perform-  
ances  
Act, 1876.

2. On and from the date on which the Madras Dramatic Performances Act, 1954, is extended by notification under section 2 of the Union Territories (Laws) Act, 1950, to any of the Union territories of Delhi, Himachal Pradesh and Manipur, the Dramatic Performances Act, 1876, as in force in such Union territory, shall stand repealed.

Madras Act  
XXXIII of  
1954.

30 of 1950.

19 of 1876.

**Saving.** 3. The repeal of the Dramatic Performances Act, 1876, by section 2 shall not affect—

(a) the previous operation of the said Act or anything duly done or suffered thereunder; or

(b) any right, privilege, obligation or liability acquired, accrued or incurred under the said Act; or

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(c) any penalty, forfeiture or punishment incurred in respect of any offence committed against the said Act; or

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(d) any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid;

and any such investigation, legal proceeding or remedy may be  
5 instituted, continued or enforced and any such penalty, forfeiture or  
punishment may be imposed, as if the said Act had not been repealed.

## STATEMENT OF OBJECTS AND REASONS

The Dramatic Performances Act, 1876 is in force in most of the States and the Union territories of Delhi, Himachal Pradesh and Manipur. The High Courts of Madras, Allahabad and Punjab have declared some of the provisions of this Act as *ultra vires* of the Constitution. The Madras Legislature has enacted the Madras Dramatic Performances Act, 1954, and repealed the Central Act in its application to the State of Madras. The Madras Act, though enacted before the decisions of the Allahabad and Punjab High Courts were rendered, meets the objections taken to the provisions of the Central Act. It is considered desirable to replace the Central Act by the Madras Dramatic Performances Act, 1954 in the Union territories of Delhi, Himachal Pradesh and Manipur.

2. Under section 2 of the Union Territories (Laws) Act, 1950, an enactment in force in a State may be extended to the Union territory by notification, but the corresponding law in force in the Union territory cannot be so repealed. The Bill therefore seeks to provide that on the date on which the Madras Dramatic Performances Act, 1954, is extended to any of the Union territories of Delhi, Himachal Pradesh and Manipur, the Dramatic Performances Act, 1876, as in force in those Union territories shall stand repealed.

NEW DELHI;

The 13th August, 1962.

LAL BAHADUR.

M. N. KAUL,  
Secretary.